

## **Audit Committee minutes**

### **Tuesday 7 March**

#### **Members:**

Ailsa Beaton (chair)	Non-Executive Director
Roger Barlow	Independent Audit Committee member
Jane McCall	Non-Executive Director

#### **Attendees:**

##### ICO

Simon Entwisle	Deputy Commissioner (Operations)
Paul Arnold	Interim Deputy Commissioner (Policy)
Heather Dove	Head of Finance

##### Internal Auditors

Phil Keown	Grant Thornton (by telephone)
Paul Eckersley	Grant Thornton

##### External Auditors

Matthew Atkinson	National Audit Office (by telephone)
David Eagles	BDO (by telephone)
Alison Langridge	BDO (by telephone)

##### Secretariat

Peter Bloomfield	Senior Corporate Governance Manager
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## **1. Introductions and apologies**

- 1.1. There were apologies from Elizabeth Denham who was unable to attend the meeting.

## **2. Declaration of interests**

- 2.1. There were no declarations of interest.

## **3. Matters arising from the previous meeting**

- 3.1. There was one outstanding action – to review the emergence of new frameworks for internal audit. Peter Bloomfield would report back to the Committee on this item at the end of the meeting in the absence of the internal auditors.

## **4. Interim Deputy CEO update**

- 4.1. Paul Arnold provided an overview of important issues affecting his area of responsibility as Deputy CEO. This included progress in reviewing ICO governance and the development of the new Information Rights Strategy. Paul also highlighted the work being done on IT against a background of increasing caseload.
- 4.2. Simon Entwisle highlighted the increase in high profile information rights cases. These were being tracked by the Senior Leadership Team.
- 4.3. The success of the ICO's major Data Protection Practitioner's Conference held yesterday in Manchester was also highlighted. An international case handler conference was being hosted by the ICO in the summer, also in Manchester.

## **5. Finance**

- 5.1. Paul Arnold summarised the position in respect of expected end of year finances. Whilst fee income remains fluctuating, as the ICO enters the last month of the final year the ICO was expecting a year end position as close to break even as possible whilst mitigating the risk of any over-spend.
- 5.2. The Department for Culture, Media and Sport (DCMS), the ICO's sponsoring department, had recently agreed to calculate the cash hand back at year end on an accruals basis. The ICO was not expecting to have to make a cash hand back this financial year.
- 5.3. The DCMS had confirmed that an advance to the value of £1.4m would be provided to the ICO for 2017/18 to cover the anticipated shortfall of fee income against a higher than

normal budget increase to support preparation for GDPR implementation.

5.4. The Committee asked whether this agreement would cover any concerns the external auditors might have had as far as the ICO being a going concern. The NAO/BDO confirmed this was the case subject to their consideration of the detail.

5.5. The ICO was expecting confirmation of its funding model for 2018/19 onwards in the near future. Many of the ICO's financial risks would then be re-assessed as their status was expected to reduce.

**Action: Paul Arnold to provide the Non-executive Directors with information on the consultation on the new funding scheme prior to the consultation being launched.**

5.6. The Committee asked about the level of unpaid civil monetary penalties and the level of debt that was being written off. Simon Entwisle explained that the level of debt being written off was partly due to firms going into liquidation owing money to the ICO as a result of a civil monetary penalty. The ICO was robust in seeking to recover unpaid penalties and the area of work had recently been audited. The ICO had to balance the costs of chasing a debt with the chances of recovery, particularly as the ICO did not retain any of the penalties imposed.

5.7. It was noted that directors of firms which went into liquidation could be disbarred from acting as directors in the future. The Committee felt that this possibility could be publicised more widely.

**Action: Paul Arnold to consider publicising the fact that directors could be disbarred if their company went into liquidation and did not pay its civil monetary penalty.**

5.8. At the last Committee meeting there had been discussion on the proposed Grants and Contributions scheme and whether funding under the scheme would be committed to this financial year. The Committee asked for an update.

5.9. Paul Arnold advised that the scheme had been announced formally at the previous day's conference and that requests for submissions would be invited early in the new financial year. Expenditure under the scheme would not therefore be committed this financial year but it was included in next year's budget.

5.10. Finally the Committee enquired about the large write off of assets. Heather Dove advised that this write off had

followed discussion with the NAO following previous external audits about the write off of IT equipment. This discussion had resulted in a large write off and hence the drop in depreciation. It was also noted that in the future, as the ICO moves some of its IT services and systems into the cloud, its fixed assets will continue to reduce.

## 6. Reporting on fraud, whistleblowing and security incidents

- 6.1. Peter Bloomfield introduced the quarterly report. This providing top line figures on incidents of fraud, whistleblowing and security failings.
- 6.2. The Committee had requested a more detailed drill down on security incidents. Paul Arnold introduced a paper providing greater detail.
- 6.3. The majority of security incidents at the ICO are accidental disclosures of personal data, for example correspondence being sent to the wrong address. The ICO had done much to encourage the reporting of actual incidents and near misses.
- 6.4. In this the ICO is probably no different from those we regulate. It is a challenging area and one which requires vigilance and continual improvement. And in terms of system improvement, the ICO was moving towards requiring the double entry of email addresses to help ensure accuracy. It was also investing in staff training and development.
- 6.5. In light of the new casework system being rolled out later this calendar year it was agreed to re-visit the issue of accidental disclosures at the September meeting.

**Action: Peter Bloomfield to add to the agenda for the September meeting an update on accidental disclosures of personal data by the ICO.**

- 6.6. It was confirmed that none of the incidents would have necessitated action by the ICO as the regulator. In addition the ICO was considering including information on accidental disclosures within the active disclosure policy. This approach was supported by the Committee.

## 7. Risk register

- 7.1. Peter Bloomfield introduced the risk register. This had been updated to reflect the reduction in risk status associated with finance and GDPR implementation. The risk register would be more fully reviewed once the Information Rights

Strategy had been updated, both in content and format. There would also be an emphasis on opportunity as well as risk.

- 7.2. In respect of GDPR implementation Simon Entwisle advised that risks in this area would reduce as decisions on legislation were made and taken forward. There might however be other risks that arise in implementing GDPR across the EU.
- 7.3. Ailsa highlighted to the Committee that the Management Board would be considering risk appetite as part of the review of ICO risks.

## 8. Outstanding audit recommendations

- 8.1. Peter Bloomfield introduced the register of outstanding audit recommendations. Since collating the report the Management Agreement with the DCMS had been signed off.
- 8.2. There was a further late recommendation relating to password controls on the procurement system. Paul Arnold advised that making the system change could impact on year end work and it was proposed to delay this change till the early summer.

**Action: Paul Arnold to consider the wording of the management response to this recommendation.**

**Action: Heather Dove to consider the external audit recommendation on finance system access and to confirm whether it was linked to the above internal audit recommendation.**

**Action: Paul Arnold and Peter Bloomfield to consider the process for agreeing and clearing audit recommendations to help ensure senior management review.**

## 9. Internal audit

### Audit plan update

- 9.1. Paul Eckersley provided an update on progress in meeting the internal audit plan. It was confirmed that the audit plan would be completed by the year end.

### IT asset management reviews

- 9.2. Both reviews (part I and II) had been finalised. Part I looked at how processes were designed; part II at how the controls were actually working. Recommendations had been

made on the processes but the second review had confirmed that the asset management processes were being well managed.

#### People Strategy review

- 9.3. This review had looked at how well Organisational Development was prepared for the amount of recruitment it expected to have to do to help the IC prepare for GDPR implementation.
- 9.4. The Committee was concerned as to the long timescales to clear the recommendations suggested by the management response. Paul Arnold considered that uncertainties at the time of the audit over dependencies has resulted in the long timescales being given. Some of the uncertainties had since been firmed up on.
- 9.5. The Committee also expressed the view that responsibility for agreeing and meeting the recommendations was possibly wider than just Organisational Development. Management agreed.
- 9.6. Given the timescales for implementing recommendations the Committee requested an update. Paul Arnold explained that he would be reporting on this area at the May Management Board and would report back to the June Audit Committee on this as well.

**Action: Paul Arnold to report back to Audit Committee at its June meeting on the management response to the People Strategy review.**

#### Investigations review

- 9.7. The investigations review required more consideration of the management response and a final response would be brought to the next Audit Committee.

**Action point: Simon Entwisle to consider the management response further and to discuss with Grant Thornton to allow the review to be finalised at the next Committee meeting.**

#### Follow up review

- 9.8. Grant Thornton confirmed a clear review with just minor recommendations relating to the clearance of audit recommendations by the ICO.

#### Draft internal audit plan 2017/18

- 9.9. Paul Eckersley advised that there had been early discussion with management over areas to review in 2017/18 and some further discussion at the ICO. Presented to the

Committee were early ideas to be firmed up over the next month.

- 9.10. Areas flagged up for possible audit included GDPR preparation and cyber security.
- 9.11. Paul Arnold highlighted the existing independent IT assurance process which could provide assurance to the Committee in this area. It was suggested that the Committee could look at this area in more depth.

**Action: Paul Arnold to provide the Committee with more information on the existing IT assurance processes at the next Audit Committee meeting.**

## 10. External audit

- 10.1. The BDO/NAO provided a report on their interim audit work. There were no areas of major concern identified.
- 10.2. The relationship between the BDO and NAO was explained. The C&AG is the statutory auditor and gives the final audit opinion. However the NAO contracts out its audit work in some cases and BDO were contracted to do the ICO audit work.
- 10.3. The outstanding external audit recommendation relating to access to the procurement system was noted here (see action under 8.2).

## 11. Audit Committee annual report 2016-17

- 11.1. The draft Audit Committee annual report 2016-17 was noted. This report articulated the Committee's assurance to the Commissioner as Accounting Office as to how well the organisation was managed. The final draft would be agreed by the Committee at its next meeting in June.

## 12. ICO annual report and accounts 2016-17

- 12.1. Peter Bloomfield presented the template and timetable for the ICO Annual Report and Accounts 2016-17. A near final draft would be brought to the next Committee meeting in June for sign off.
- 12.2. The template was a work in progress.
- 12.3. It was confirmed that there was potential to make some changes to the report section of the document.

### **13. Any other urgent business**

- 13.1. Ailsa Beaton fed back to the Committee on her meeting with other audit chairs at the DCMS. There was interest in what the NAO and DCMS thought Audit Committees should be looking at and at the role of the Non-executive Directors in the public sector compared to with those in the private sector.
- 13.2. The Committee thanked Sally Hanson for her work as interim Head of Finance.